

Consultation response

The London Rental Standard: Shelter's response to the Mayor of London's consultation

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Introduction

A quarter of Londoners now rent privately. By 2020 this is projected to be more than one in three. Many are families with children who want to put down roots in their community, but find themselves trapped in a spiral of rent increases and short term contracts. Under the current system, London's renters have little guarantee that their landlord or letting agent will provide decent housing standards or a good service. The Mayor's proposals for a London Rental Standard are an opportunity to help many of these families. While the proposals cannot solve every problem faced by London renters, they could make a real difference, provided the scheme is well marketed. Shelter wants to work with the Mayor to make the most out of these proposals.

Summary

- **We welcome the opportunity to respond to the Mayor's proposals, and to promote the consultation to renters themselves, who are rarely consulted in policy debates.** Throughout this response we include the voice of renters themselves as far as possible through polling and the views of the 4500 London renters who responded to our online campaign survey.¹
- **We support the Mayor's decision to set up a London Rental Standard to encourage consistent, professional standards from landlords and letting agents.** Seven in ten London renters want there to be stronger, clearer rules for landlords to follow in order to protect renters, showing real demand for such a scheme.² Shelter will monitor the uptake of the scheme and its progress in raising standards. Our campaign survey shows the change that London renters want and need. We will call for stronger measures if the Rental Standard does not make enough of an impact on Londoners' experience of renting.
- **The proposals should be strengthened in several ways in order to make the most out of their potential.** If the Rental Standard is to grow, it is vital that it is given a high profile and is easy for renters to access. It needs to work with existing consumer websites and have its own advertising and communications budget. We also believe it is vital that the GLA monitors take-up of the scheme and that its conditions are properly enforced.
- **The London Rental Standard is not likely to solve every problem faced by renters in London, and we recognise that it is not designed to do so.** The Rental Standard provides an opportunity to raise professional standards across the mass renting market, provided it is effectively advertised and communicated, but further action will be needed to improve the sector. The Mayor must also meet his commitment to work with boroughs and agencies to clamp down on rogue landlords who are unlikely to join a voluntary accreditation scheme.
- **We strongly support the Mayor's commitment to work with the industry to pilot a more stable form of renting contract.** This will help London families who face unpredictable rent rises and could be forced to move at any minute in the current market. The Mayor is right to emphasise that new homes built for private renting should offer families more stability and affordability.

¹ Full results are at Appendix 1.

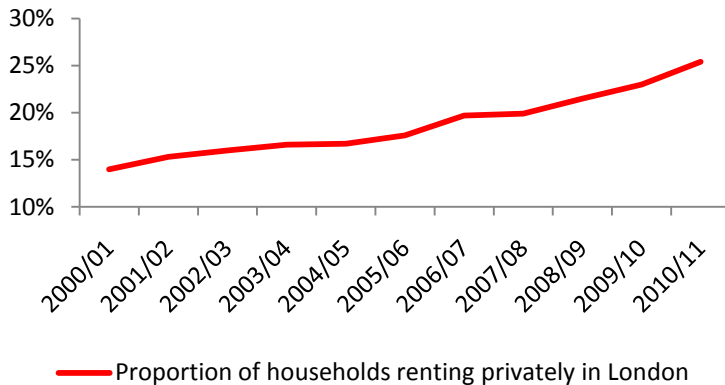
² YouGov polling for Shelter in 2012

Private renting in London: why does it matter?

More and more renters

The number of people renting privately in the capital has grown rapidly over the last ten years. Between the 2001 and the 2011 Census, the proportion of London households renting privately increased by 62%. This compares to an 18% drop in the proportion of households buying with a mortgage and an 8% drop in the proportion of social renters.³

Growth of private renting in London (2000/01 - 2010/11)⁴



Less and less affordable

While the number of private renters in London has increased, the proportion of their income they have to spend to keep a roof over their head has soared.

- Over the last two years, detailed Valuation Office Agency (VOA) data has shown London rent rises increasing much faster than average wages.
- Some boroughs have seen very large annual rent increases. In nine boroughs, rents rose by more than 7.5 per cent over the last year. In Merton, the increase was nearly 14 per cent in just one year.⁵
- Outer London is becoming less affordable for renters even more rapidly than inner London. Rent as a proportion of household salary rose by 10 percentage points in outer London compared to around 3 percentage points in the inner boroughs, over the last year.⁶

Data from the Office for National Statistics and Department for Communities and Local Government confirms this trend. Rents are becoming less and less affordable in London.

³ [2011 Census: KS402EW Tenure](#), Office for National Statistics, 2011

⁴ (2000/01 – 2007/08) [S135 Survey of English Housing](#), DCLG; (2008/09 – 2010/11) [FA1121 English Housing Survey](#), DCLG

⁵ RentWatch, Shelter, 2013

⁶ Shelter calculation from VOA rents data and ONS earnings data

Rents have risen faster than wages (2000 – 2010): Index (2000 = 100)⁷



Impact of high rents on renters

The high cost of renting has very real impacts on peoples' lives. Unaffordable London rents put pressure on household budgets for all those who keep the city running, including those on low to middle incomes such as nurses, teachers, hotel workers and bin collectors. Our London renters' campaign survey in 2013 asked respondents what they were cutting back on as a result of high rents. 90% said that they couldn't save to buy a house of their own, 78% were cutting their spending in London's shops and businesses and more than a third were cutting essential spending on food and heating.⁸

Renting further out from the centre of the city does not necessarily make London affordable for key workers. For example, a renter commuting from Orpington to central London would spend roughly the same proportion of their salary on combined rent and travel costs as a renter in Lewisham. Even renting outside the capital can fail to reduce costs. A renter commuting to London from Swindon would pay roughly the same as a renter in Dulwich and West Norwood once commuting costs are included.⁹ London's workers who cannot afford a mortgage are trapped by high rents and high commuting costs.

2012 Renters Survey (YouGov for Shelter): Affordability

- More than a quarter of London renters say that they have no money left over at the end of the month after paying rent and bills.
- More than half of London renters have cut spending in the last 12 months to meet rental payments, including one in three cutting spending on food.

⁷ London Rents: (2000/01 to 2006/07) [Survey of English Housing](#), DCLG; (2008/09 - 2010/11) [English Housing Survey](#), DCLG. London Wages: [ASHE Table 8.7 – Place of residence by Local Authority](#), ONS. CPI Inflation, ONS

⁸ See Appendix for full results

⁹ Average rent on a two bed flat in Orpington, Lewisham, Swindon and Dulwich taken from [Shelter Private Rent Watch](#), Shelter, 2011. Average commuting costs from [Transport for London](#).

Impact of high rents on London businesses

Increasing private rents may be harming London businesses by increasing staff costs, making it harder to recruit and reducing consumer spending on local high streets. London's business leaders now see housing costs as a top three factor weakening the capital's competitiveness. This has risen significantly as a concern in the annual survey conducted by the CBI.¹⁰

These concerns are reflected in government analysis from 2009 which noted that four in ten employers struggling to recruit staff blamed high housing costs.¹¹ A 2011 study for the LSE found that 70% of London's businesses see the lack of affordable housing as a key constraint on the labour market.¹²

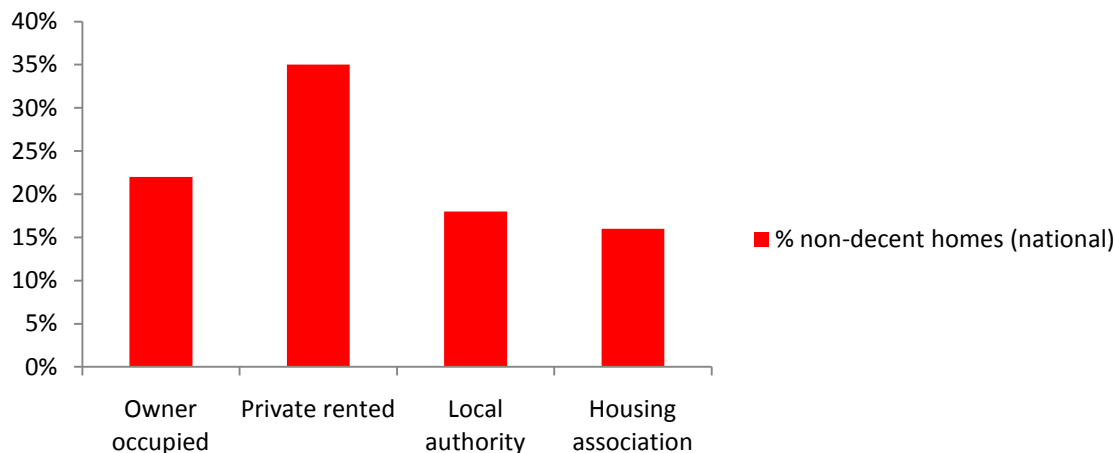
Increasing private rents are also taking money out of London renters' pockets, reducing the amount they have to spend on the high street. If London's private rents had risen with CPI inflation since the year 2000, rather than the much higher rate they actually rose by, then London renters would each have at least an extra £3,000 per household per year in disposable income (a total of £2.5 billion per year).¹³

Bringing rent inflation to a level consistent with the rise in general prices would benefit Londoners who rent, but it would also have wider benefits for London businesses which have seen reduced demand and high staff costs. Shelter advocates the introduction of a more stable form of renting contract, linking rent rises to inflation. We have found that this approach can benefit landlords as well as renters, as it delivers predictable returns and lower transaction costs.¹⁴

Unacceptable conditions and rogue landlords

The private rented sector is the worst performing for housing conditions nationally, with almost 4 in 10 failing to meet the Decent Homes Standard. 40% of London renters have had a landlord or agent who did not deal with repairs. More than seven in ten Londoners surveyed agreed that landlords should have stronger and clearer rules to follow in order to protect renters.¹⁵

More non-decent private rented homes than any other tenure¹⁶



Bad housing conditions are an issue for many London renters and one that the London Rental Standard should aim to address by incentivising landlords to improve the condition of their property. For example,

¹⁰ [London Business Survey](#), CBI and KPMG, December 2012

¹¹ [Affordability – more than just a housing problem](#), National Housing and Planning Advice Unit, 2009

¹² [The case for investing in London's affordable housing](#), LSE 2011

¹³ Shelter calculation. Median London private rent data for 2000/01 and 2010/11, Survey of English Housing and English Housing Survey and the ONS CPI inflation data 2000 – 2010.

¹⁴ [A Better Deal](#), Shelter, 2012

¹⁵ You Gov for Shelter, 2012

¹⁶ [English Housing Survey Headline Report 2011-12](#), DCLG, 2013

the Rental Standard could include commitments from accredited landlords to improve the energy efficiency of their homes. Unfortunately though, a minority of renters have to deal with rogue landlords who exploit the vulnerable and often break the law. The dangerous and illegal activities of these rogue landlords are not representative of the majority of landlords. It is vital that strong action is taken to stop their practices, to protect renters and the reputations of good landlords alike.

A Freedom of Information request about local authority action to tackle rogue landlords revealed that the number of complaints about landlords in London grew by almost 50% between 2008 and 2012 (to 19,000), with 137 landlords identified as a persistent cause for concern.¹⁷ Shelter argues that tough enforcement of the law by local authorities, with high-profile prosecutions, is the most effective way to deter persistent rogue landlords.¹⁸ We have worked with the government to design guidance on tackling rogue landlords for local authorities in England.¹⁹

Shelter's response to the Mayor's paper: 'Making London's Rented Sector work for Londoners'

(1) Increasing housing supply

Shelter believes that increasing the supply of new homes, and particularly affordable homes, is essential to meet London's growing housing need. Recent figures on home building in the capital have been worrying. According to the GLA's own data, there were just 425 affordable housing starts in London between April and September 2012 compared to more than 18,000 across financial year 2010/11.²⁰ It is vital that the Mayor redoubles efforts to deliver much needed affordable housing.

The Mayor's proposed 'PRS investment vehicle' is an opportunity to attract institutional investment into new rented homes - and to set a new standard for quality private renting. We urge the Mayor to ensure that all new rented housing built through the investment fund is let under our Stable Rental Contract to provide better security and stability for both renters and investors.²¹ Large scale investors need predictable returns over the longer term, and need to differentiate their consumer offer from the more disreputable parts of the sector. QDD has publically backed the Stable Rental Contract and plans to introduce longer, stable tenancies into existing developments such as the East Village in the Olympic Park.²²

(2) Empowering consumers

We welcome the Mayor's target for 100,000 London landlords to become members of an accreditation scheme by 2016, and we agree that consumer awareness of accreditation is vital to achieving that goal.

The Mayor has recognised that longer contract options are needed for families who rent. We welcome the Mayor's commitment to work with the industry to bring forward pilot schemes.

We agree that letting agents should be far more transparent about their fees. Our polling has shown that letting agent fees are consistently among the greatest concerns for renters in London.²³ We welcome the Mayor's recognition that letting agents should be regulated in an equivalent way to estate agents and the need for independent redress for disputes. Shelter will continue to work with the Mayor to bring forward policy solutions to improve the lettings market for renters.

(3) Promoting Standards

¹⁷ FOI for Shelter, 2012

¹⁸ [Asserting Authority](#), Shelter, 2012

¹⁹ [Dealing with Rogue Landlords](#), DCLG, 2012

²⁰ [Housing Statistics](#), GLA, 2012

²¹ [A Better Deal](#), Shelter 2012

²² [London Assembly Housing and Regeneration Committee](#), 2012

²³ YouGov for Shelter, 2011 and 2012

Shelter welcomes the Mayor's recognition that rogue landlords are a serious problem in London. We strongly agree with the proposals for closer partnership working between the GLA and boroughs and the sharing of intelligence, such as data from utilities, and on landlord accreditation. Shelter contributed to the government's recent guidance on tackling rogue landlords²⁴ and we encourage the Mayor to press boroughs to take firm enforcement action, as indicated in the proposals.

As the London Rental Standard will operate via voluntary accreditation schemes, it is unlikely to improve standards for those people who rent from a rogue landlord. The evidence we have collected suggests that the best way to reduce rogue landlord behaviour is through tough enforcement by local authorities.²⁵ By prosecuting rogue landlords and publicising successful prosecutions, rogue landlords are deterred. We therefore believe it is vital that the Mayor keeps up pressure on the boroughs to take tough action on rogue landlords, while using the Rental Standard to improve general standards in the private rented sector.

Maximising the potential of the London Rental Standard

We welcome the proposals for the London Rental Standard and believe that they have real potential to improve standards for many renters in London. The London Rental Standard kitemark could become the mark of quality for private renting, with renters searching out properties with the badge. However for a voluntary scheme of this nature to work, it needs to be known about and integrated with the means that renters use to access the market, such as property websites. We know that six in ten London renters want to rent from an accredited landlord, so the GLA must capitalise on this demand through a high-profile, well marketed scheme.

We believe that there are several practical steps that the Mayor could take to strengthen the proposals further:

(a) Make sure renters, landlords and agents know about the London Rental Standard

- **Commit to a marketing and communications budget for the London Rental Standard.** We strongly welcome the recognition in the Mayor's plans that a marketing and communications strategy is needed in order to make the London Rental Standard a successful consumer product. A specific commitment to a budget from the Mayor, alongside joint working with the industry, would increase the chance that the Rental Standard is taken up. A single advertising budget, pooling the resources of accreditation schemes, the GLA and industry bodies would be more effective than fragmented advertising. Other public awareness campaigns about decent standards – such as the Mayor's mini-cab safety campaign – are used to change behaviour by encouraging the use of accredited services.²⁶
- **Establish a website which explains the Rental Standard and allows renters to find out whether their landlord is accredited.** Shelter has designed a mock website²⁷ as an example. Shelter's campaign to help renters check whether their deposit is protected is an example of how renters will respond to online tools.²⁸ The GLA should work with the industry to integrate the scheme as far as possible with existing consumer websites used by renters, such as RightMove and Zoopla. If renters see searching only for properties let by an accredited landlord as a normal part of the renting process then there will be far more interest in accreditation from landlords and agents.

(b) Ensure genuine fee transparency for renters and landlords

- **Letting agent fees are a major concern for both landlords and renters.** Shelter welcomes the measures already included in the plans for fee transparency. Ensuring that each advertisement for a home to let gave information on both the level of rent and a single 'cost of

²⁴ [Dealing with Rogue Landlords: a guide for local authorities](#), DCLG, 2012

²⁵ [Asserting Authority](#), Shelter, 2012

²⁶ <http://www.tfl.gov.uk/corporate/media/newscentre/archive/17534.aspx>

²⁷ <http://lrs.homesforlondon.org.uk/page/content/lrs2/>

²⁸ There have been almost 50,000 unique visitors to the Shelter deposit checker tool since its launch in June 2012.

the contract' combining all fees, would give renters the information needed to make an informed decision. This transparency would encourage letting agents to compete on fee levels, driving efficiency and savings for landlords and renters. Shelter has designed a mock webpage to show how this might work in practice.

(c) Encourage a 'virtuous circle' of recruitment and retention

- **Accredited letting agents should be given targets for promoting landlord accreditation to those on their books.** This would help the scheme reach landlords and encourage them to become accredited. Equally, accredited landlords should be encouraged to recommend accreditation to their agent.
- **The Rental Standard should encourage incentives for landlords and agents to remain accredited.** Many accreditation schemes use financial incentives to encourage landlords to remain accredited, such as discounts with businesses and repairs, easier access to local authority services and insurance. The Rental Standard should encourage and promote the incentives offered by accreditation schemes which take part.

(d) Work with the boroughs to monitor take-up and enforcement.

- **It is vital for the scheme's credibility that landlords or agents who don't meet the conditions lose their accredited status.** The Mayor's paper says that the accredited bodies themselves will be responsible for monitoring and reviewing accredited statuses. The Mayor could strengthen enforcement however by pledging to partner with the boroughs to share information about landlords or agents failing to meet standards and the take-up and enforcement of the scheme in different parts of the capital. This information will be vital for the governing board to decide whether or not to revoke the kitemark from accrediting organisations.

Conclusion

The London Rental Standard represents a real opportunity to help many of London's renters, including thousands of renting families. We agree with the Mayor that it will not solve every issue faced by renters and that renewed focus is needed on the supply of affordable homes, delivering stable renting contracts and tackling rogue landlords. Shelter wants the potential of the scheme to be maximised by the Mayor and we will work with City Hall so that this is achieved.

Contact: Pete Jefferys, Shelter Policy Team

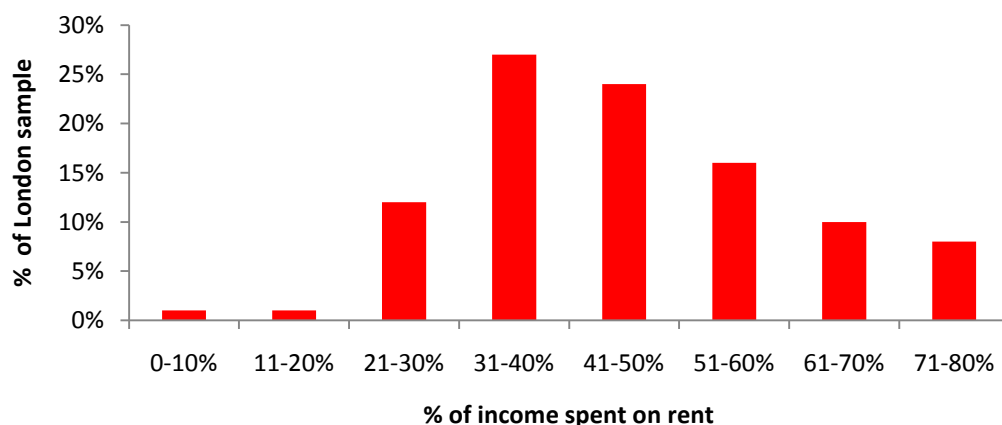
peter_jefferys@shelter.org.uk

Appendix 1: Full results of our London renters' survey

Shelter's Homes for London campaign has run an online survey to help London renters put forward their thoughts on how renting could be improved to the Mayor. There were more than 4500 responses from London renters, reflecting the huge desire for improved renting. We have reflected these views throughout our consultation response and the full results are presented below.

(a) Affordability: what proportion of my income is spent on rent?

The graph below shows how much income is taken up by rent for the respondents to our survey. Practice in other countries and previous research suggests that 35% of net income is the maximum threshold of housing affordability for those on average incomes.²⁹ In our survey 85% of London renters spent more than 30% of their income on rent, with almost one in five saying that they spent 60% or more of their income on rent.



(b) Impact of high rents

Our survey also revealed what London renters are cutting back on in order to afford their rent. Of the more than 4500 respondents to our survey:

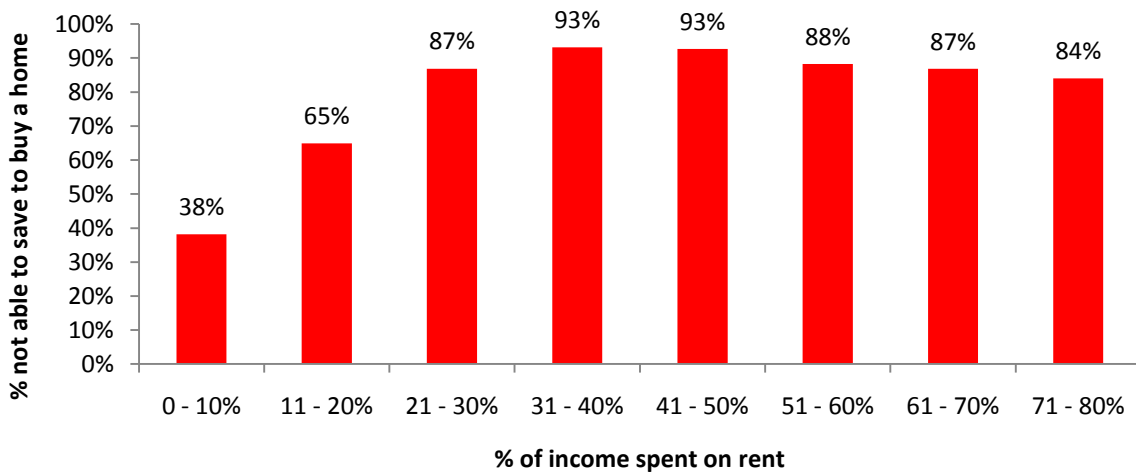
- Nine in ten said that they couldn't afford to save to buy a home of their own
- 78% said that they were cutting back on spending in London's shops and businesses
- More than a third (36%) said that they were cutting back necessary spending on food and heating

The implications of these results are clear. Home ownership is a vanished dream for many London renters, with the majority unable to save to buy. It's not just renters themselves who are suffering however. London renters are spending less on London's high streets, impacting on businesses. Finally for a sizeable minority of London renters, the basics of living such as food and heating are being hit by high rents.

Interestingly, there is some evidence that those who most feel the dream of home-ownership slipping away are mid-market renters. As the chart below shows, the biggest squeeze on the ability to save in our survey was for the group paying 30-40% of their income in rent.

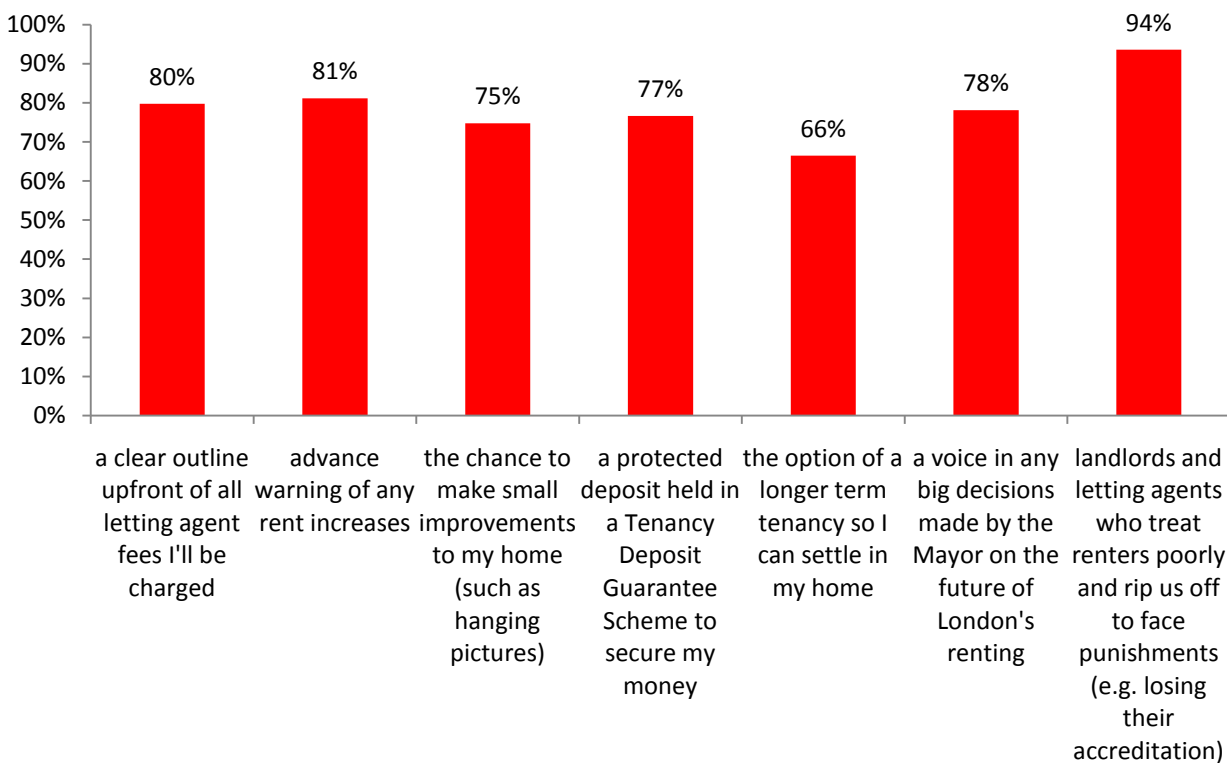
²⁹ London RentWatch, Shelter, 2011

(c) Those least able to save to buy a house are mid-market renters

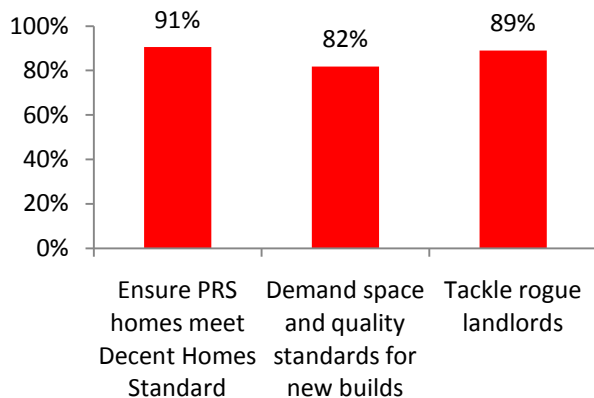


(d) What do renters want from the London Rental Standard?

We asked those completing our survey to tell us what they want from renting reform in London. The results below show that the vast majority (94%) want to know that poor landlords and agents will be punished by the removal of their accreditation and big majorities want transparent letting agent fees and warnings of rent increases. Almost four in five of the respondents to our survey said that they want a voice in the future of renting in London. Finally, there was strong demand (66%) for more stable renting products.



Finally, the London renters who responded to our survey were clear about the action that they want from the London Mayor. Big majorities want the Mayor to ensure rented homes meet the Decent Homes Standard; ensure that new rented homes are high quality and take action to tackle rogue landlords.



Appendix 2: Voices of London renters from our survey

Affordability:

“...it is unlikely I will ever own my own home, my own car and achieve these rather basic elements to what I consider to be a good life for working hard. Paying half my monthly salary on rent, 20% on tax and the rest on standard living costs means that despite having a degree and a good job, I am no better off than when I was 15 years old” – Sophie, Islington

“I’m a born and bred Londoner and I’ve had to leave MY city and move to Manchester because I can’t afford London rents... This situation is spiralling out of control ... ” – Bibi, ex-London renter

Stability:

“I don’t know when I’ll no longer be able to afford my rent and have to move again, but know it could be soon and I may not have much warning. It prevents putting down roots in communities and properly settling at home” – Rebecca, Camden

“Londoners need long term private lets that allow them to make the most of the private rented sector, putting down roots in an area, raising a family and having stability” – Joe, Lewisham

Rogue Landlords:

“As a renter I am completely at the mercy of my landlord, always hesitant to raise building issues in fear of punishment like rent increase or the dodgy builders which he employs to come and ‘fix’ issues in the house. They run a ‘put up or get out’ attitude. I already know there will be issues getting deposit back despite improving the flat. It took them 6 months to put our deposit into a safety scheme and that was only after numerous calls and emails” – Anna, Hackney

“...tenants should have better rights. I paid £650 per month to live in a room which was infested with mould and damp. I am now being charged for the cleaning costs of that mould and I am in dispute with my previous landlady who wants to take £350 off us for cleaning and wear and tear. She should have reduced the rent or fixed the damp problems rather than expect me to pay for these problems after I have moved out. I had a severe chest infection when living with the mould... Something must be done!” – Pamela, Hackney

Until there's a home for everyone

Shelter helps over a million people a year struggling with bad housing or homelessness – and we campaign to prevent it in the first place.

We're here so no-one has to fight bad housing or homelessness on their own.

Visit **shelter.org.uk** to join our campaign, find housing advice, or make a donation.